



**TESTIMONY OF  
R. Christopher Hartley  
Senior Vice President  
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SUBMITTED TO THE  
HUMAN SERVICES COMMITTEE  
Tuesday, March 2, 2010**

**HB 5328, An Act Implementing  
SAGA Hospital Rate Increases**

My name is Christopher Hartley, I am the Senior Vice President, Planning and Facilities Development, Saint Francis Hospital and Medical Center. I am testifying in of **HB 5328, An Act Making Adjustments To State Expenditures And Revenues For The State Fiscal Year Ending June 30, 2011.**

Connecticut's hospitals are among the finest in the nation. Focused on quality and patient safety, and providing access to the most skilled professionals, the highest quality of care, and the latest technology, Connecticut hospitals provide care to all who need it, regardless of ability to pay, twenty-four hours a day, seven days a week year-round. Hospitals are integral to the quality of life and health in our communities and are among the largest employers in the state, supporting over 97,000 jobs and generating nearly \$13 billion in annual economic activity. In more ways than one, the health of our communities is inextricably linked to the health of their local hospitals. Unfortunately, the economic crisis is ravaging the health of our hospitals.

The United States as a whole and Connecticut are still struggling to recover from the greatest Recession since the Great Depression. Not surprisingly, hospitals have also faced two very difficult years. In 2008 and again in 2009, Connecticut's hospitals lost more than \$300 million per year due to under-reimbursement for Medicaid and SAGA patients. In addition, during those two years, one of the traditional means hospitals use to make ends meet – non-operating (investment) income – fell short of what was expected by over \$620 million. The magnitude of that loss cannot be understated – we expect it will take well over a decade to recover what was lost. Finally, since the start of the recession, about 100,000 Connecticut residents have lost jobs and employer-paid health insurance coverage, and the Medicaid and SAGA populations have increased by 75,000; combined enrollment in those programs now stands at about 500,000 – a little more than 14 percent of the state population.

As you may know, the SAGA program has been the focus of much legislative attention for several years. The SAGA program was significantly modified in 2004 and subjected hospitals, pharmacies, and Community Health Centers to a cap based on available appropriations. Over time, DSS removed the cap from all providers except hospitals. Today, SAGA non-hospital providers are paid one hundred percent of the Medicaid rate while hospitals are paid about 43 percent of the Medicaid rate.

As of today, DSS has not taken the administrative steps needed to implement an 1115 waiver for the SAGA program as directed by the legislature and does not plan to do so until July 1, 2011 – a full seven and a half years after first directed by the legislature to do so. In a letter dated January 20, 2010, DSS stated that the further delay is due to the uncertainty created by federal healthcare reform.

To delay raising SAGA payments to Medicaid levels simply asks hospitals to continue to try to balance the shortfall in state payments by reductions in service or cost shifting of state underpayments to private insurers in an effort to remain fiscally solvent. This cost shift becomes another burden for businesses and individuals to bear and represents a state decision not to fund its fair share of the cost of insuring Connecticut's most vulnerable citizens.

Put another way, in fiscal 2009 which ended this past September, Saint Francis Hospital and Medical Center provided \$56.1 million in unreimbursed care. Of this total unreimbursed care \$34.5 million was the result of under payments by the Medicaid and SAGA programs. If the current proposed cuts in the SAGA program are implemented, Saint Francis will see over \$3.6 million dollars of loss added to this burden by 6/30/10 and an additional \$7.2 million losses added between 7/1/10 and 6/30/11. This projected shortfall does not include any losses from the reinstitution of Medicaid co-payments for outpatient services. Such a devastating loss is just too much to bear.

The biennial budget passed in September 2009 provided the funding needed to raise hospital SAGA rates up to Medicaid effective January 1, 2010. This new budget makes it clear that DSS will not be implementing existing law in the time frame required. **The funds necessary to raise hospital SAGA rates to Medicaid have been appropriated and will be matched with or without a waiver.** So, let's just start paying hospitals in accordance with the biennium budget at the Medicaid rate for SAGA and finally put hospitals on par with all other providers to the SAGA program.

HB 5328 acknowledges that the funding to pay hospitals at the Medicaid rate is already appropriated, and directs DSS to pay hospitals in accordance with that appropriation without a cap. We urge you to pass HB 5328.

Thank you for your consideration of our position.